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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
whether there has been a violation of the
Securities Act of Washington by:

Kevin P. Dilley,

Respondent.

Order Number S-07-392-08-SC01

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER AN ORDER TO
CEASE AND DESIST, CHARGE COSTS,
AND IMPOSE FINES

THE STATE OF WASHINGTON TO: Kevin P. Dilley, CRD #1439944

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STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondent, Kevin P. Dilley, has violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondent to cease and desist from such violations pursuant to RCW 21.20.390 and to impose fines pursuant to RCW 21.20.395. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

1. Kevin P. Dilley ("Dilley") was a registered in the State of Washington as a securities salesperson from October 1988 to October 2003. Dilley resides in Spokane County, Washington.

1 *Background*

2 2. In September 2003, the Washington Securities Division entered a Summary Order
3 suspending the securities salesperson registration of Dilley for being non-compliant with a child support
4 order issued by the Department of Social and Health Services, Division of Child Support.

5 3. In October 2003, when Dilley was in compliance with the child support order, the
6 Washington Securities Division reinstated Dilley’s securities salesperson registration.

7 4. In October 2003, the Montana State Auditor’s Office, Securities Department (“Montana
8 Securities Department”) issued a Notice of Proposed Agency Action and Opportunity for Hearing
9 (“Proposed Agency Action”) against Dilley. The Proposed Agency Action alleged that from 1995 to
10 1999 while Dilley was licensed as a securities salesperson he violated the Montana Securities Act by
11 offering and selling unregistered securities totaling \$133,000 to a retired woman, by making untrue
12 statements of material fact in connection with the offers and sales of securities, and by misappropriating
13 the investor’s funds in connection with the offers and sales of securities.

14 5. To settle the matter, Montana Securities Department and Dilley entered into a Consent
15 Agreement and Order on April 7, 2004 agreeing, in part, that Dilley would pay a fine of \$10,000, Dilley
16 would pay restitution to the investor in the amount of \$129,027, and Dilley would not act as a licensed
17 securities salesperson or investment adviser in the State of Montana at any time.

18 *Nature of the Conduct*

19 *Investor A*

20 6. Investor A, a Spokane County resident, received a check for back child support payments
21 and wanted to invest for her son’s college education. The child support payment Investor A received was
22 unrelated to Dilley’s child support payments.

1 15. Investor B had never heard of corn shares but trusted Dilley. Based on his representations,
2 Investor B agreed to sell her silver to invest with Dilley. In May 2007, Investor B sold approximately
3 \$3,871 of her silver and gave the proceeds to Dilley to invest. In June 2007, Investor B gave Dilley
4 \$2,795 in silver to sell and invest the proceeds and in July 2007, Investor B gave Dilley \$3,568 in silver
5 to sell and invest the proceeds. Dilley signed the receipts from the sale of the silver to indicate that he
6 had received the funds from the sale of the silver. In total Investor B gave Dilley approximately \$10,234
7 in cash and silver.

8 16. Investor B did not received any documents describing the investment or disclosure
9 regarding the risks of the investment.

10 17. At the time of the investment, Dilley was not registered as an investment adviser,
11 investment adviser representative, securities broker-dealer, or securities salesperson.

12 18. Dilley failed to invest in corn shares on Investor B's behalf and instead used the money to
13 pay his bills.

14 19. On August 27, 2007, Dilley gave Investor B a promissory note for \$10,600. The
15 promissory note indicated that Dilley would pay Investor B \$1,000 a month until the note was repaid.
16 The promissory note did not contain the terms that are commonly included in a promissory note.

17 20. On November 15, 2007, Dilley gave Investor B another promissory note indicating that he
18 would pay her \$1,000 a month beginning in November 2007 until Investor B had been repaid.

19 21. Dilley has not made the payments as agreed. He has only repaid her approximately \$1,304.
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21 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:
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1 **CONCLUSIONS OF LAW**

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3 1. The offer or sale of the investment to Investor A in the manner described above constitutes
4 the offer or sale of a security, as defined in RCW 21.20.005(10) and (12).

5 2. The offer or sale of the investment in corn shares to Investor B in the manner described
6 above constitutes the offer or sale of a security, as defined in RCW 21.20.005(10) and (12).

7 3. Kevin Dilley acted as a securities salesperson or broker-dealer as defined in RCW
8 21.20.005(2) and (3).

9 4. Kevin Dilley violated RCW 21.20.040 by offering and/or selling the security to Investor B
10 while not registered as a securities salesperson or broker-dealer in the State of Washington.

11 5. The offer and/or sale of said securities to Investors A and B is in violation of RCW 21.20.140
12 because no registration for such offer or sale was on file with the Securities Administrator.

13 6. Kevin Dilley has violated RCW 21.20.010 because, in connection with the offer or sale of
14 said securities, he directly or indirectly made untrue statements of material fact, or omitted to state material
15 facts necessary in order to make the statements made, in the light of the circumstances under which they
16 were made, not misleading.

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18 **NOTICE OF INTENT TO ORDER RESPONDENT TO CEASE AND DESIST**

19 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and
20 Conclusions of Law, the Securities Administrator intends to order that the Respondent permanently cease
21 and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

1 **NOTICE OF INTENT TO CHARGE COSTS**

2 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of
3 Law, the Securities Administrator intends to order that Respondent, Kevin Dilley, shall be liable for and pay
4 the costs, fees, and other expenses in the amount of \$1,500.

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6 **NOTICE OF INTENT TO IMPOSE FINES**

7 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
8 Law, the Securities Administrator intends to order that Respondent, Kevin Dilley, shall be liable for and pay
9 a fine of \$15,000.

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11 **AUTHORITY AND PROCEDURE**

12 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW
13 21.20.395, and is subject to the provisions of Chapter 21.20 and 34.05 RCW. The Respondent may make
14 a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
15 OPPORTUNITY FOR HEARING accompanying this Order. If the Respondent does not request a
16 hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of Fact and
17 Conclusions of Law as final, and enter a permanent cease and desist order, charge costs, and impose fines
18 against the Respondent.

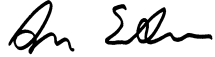
19 DATED and ENTERED this 9th day of April, 2008.

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MICHAEL E. STEVENSON
Securities Administrator

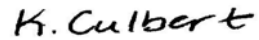
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Approved by:



Suzanne Sarason
Chief of Compliance

Presented by:



Kristen Culbert
Financial Legal Examiner